

TheBareEssentials

Order No. 888 Reform: Regional Transmission Planning October 2006

Introduction

The need for comprehensive, transparent regional transmission planning is the linchpin of the Order 888 reform effort. FERC's goal of eliminating undue discrimination, while promoting efficient utilization and development of transmission, requires meaningful implementation of the proposed principles for regional planning. The benefits of this aspect of Order 888 reform extend to several other FERC efforts – transmission pricing incentives, backstop transmission siting authority, market-based rate authority, long term financial transmission rights, and RTO border utility concerns. As enhanced by Order 888 reform, transmission planning will better address infrastructure investment, generation redispatch, rollover rights, transmission constraints, curtailment problems and allocation of costs for new transmission investment. The Commission, regions, states and all stakeholders must work together to develop processes to achieve the goal of open and adequate transmission systems that serve all sources of electricity generation. Open, coordinated and transparent planning is essential for all customers to obtain the most affordable power and realize the other benefits of competitive markets.

FERC's Eight Planning Principles

The Notice of Proposed Rulemaking (NOPR) proposes eight principles to guide regional transmission planning: coordination, openness, transparency, information exchange, comparability, dispute resolution, and regional participation and congestion studies. Adopting the eight principles proposed in the NOPR would be a promising initial step. However, FERC must not stop there. The successful implementation of regional planning based on these principles will require vigorous FERC oversight to ensure that both the letter and spirit of these reforms are realized.

In the NOPR, the Commission accurately describes the root cause of the problem: the economic self-interest that in many cases drives transmission providers outside of established RTOs to primarily focus on their own, self-interested needs when

planning the transmission system. Thus, effective and meaningful implementation of planning based on the principles will require independent, third party oversight in non-RTO areas to ensure that the transmission system is actually developed to serve all customers. The history of the past ten years shows that those with an incentive to discriminate will not give up that advantage on their own.

Transmission Planning for all Users

Wholesale competition, reaffirmed by Congress as national policy in the Energy Policy Act of 2005, will not fully occur if those generators who also operate transmission systems can bar their competitors from reaching customers. Thus, it is essential that planning be all-inclusive. All transmission users in a given region must have the ability for input and to have the regional plan fully reflect their needs. Transmission providers should have an enforceable obligation to serve all transmission users, including unaffiliated generators and suppliers, to bring the benefits of wholesale competition to all customers as Congress intended and the law requires.

The regional planning process approved by the Commission must include measures that eliminate the undue discrimination that occurs when transmission owners utilize one transmission plan to meet their own long-term planning needs, while utilizing a different, shorter term plan to evaluate third party bids during a competitive solicitation process. This use of different plans facilitates the bias toward generation units affiliated with transmission providers and against competitive generation units that may be more efficient.

The Commission should adopt measures which prevent transmission planning from being merely advisory exercises which carry no obligation for implementation. For stakeholder-based regional planning to be meaningful, transmission expansion needs identified in that process must be translated into actual transmission investment. Transmission owners must be subject to an obligation to address and serve identified needs for all generation.